

MONONA COUNTY SANITARY LANDFILL AGENCY

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENT
AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2020

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Monona County Sanitary Landfill Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Keith Zediker	Chairman	Member Cities
Bryce McDonald	Vice-Chairman	Member Cities
Wesley Miller	Board Member	Monona County
Chad Carrier	Board Member	Monona County
Becky Miller	Board Member	Member Cities
Lindsey Barnett	Secretary – Treasurer	

Monona County Sanitary Landfill Agency



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 18, 2020

Independent Auditors' Report

To the Members of the
Monona County Sanitary Landfill Agency:

Report on the Financial Statement

We have audited the accompanying financial statement of Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2020 and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued...

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Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Monona County Sanitary Landfill Agency as of June 30, 2020, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions information on pages 18 through 20, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020 on our consideration of Monona County Sanitary Landfill Agency's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monona County Sanitary Landfill Agency's internal control over financial reporting and compliance.



SCHROER & ASSOCIATES, P.C.
Council Bluffs, IA

Monona County Sanitary Landfill Agency
Financial Statement

Monona County Sanitary Landfill Agency
Statement of Cash Receipts, Disbursements and
Changes in Cash Balance
As of and for the year ended June 30, 2020

Operating receipts:		
Tipping fees and gate charges	\$	315,373
City contributions		320,469
County contributions		140,342
Recycling		27,457
Miscellaneous		<u>527</u>
Total operating receipts		804,168
Operating disbursements:		
Advertising		1,775
Salaries and benefits		201,306
Solid waste contract		390,890
Site maintenance		4,002
Site utilities		8,083
Fuel and oil		6,377
Professional fees		18,907
Insurance		29,203
Recycled materials and disposal		10,816
Rent		893
Repairs and supplies		30,666
Office expense		2,076
Board member fees		472
Mileage		183
Miscellaneous		<u>1,627</u>
Total operating disbursements		<u>707,276</u>
Excess of operating receipts over operating disbursements		96,892
Non-operating receipts (disbursements):		
Interest on investments		12,407
Grant income		1,000
Purchase of equipment and vehicles		<u>(3,371)</u>
Net non-operating receipts (disbursements)		<u>10,036</u>
Change in cash balance		106,928
Cash balance beginning of year		<u>686,723</u>
Cash balance end of year	\$	<u><u>793,651</u></u>
Cash Basis Fund Balance		
Restricted for:		
Transfer station closure	\$	117,418
Postclosure care		478,176
Total restricted cash basis fund balance		<u>595,594</u>
Unrestricted		198,057
Total cash basis fund balance	\$	<u><u>793,651</u></u>

See notes to financial statement

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (1) Summary of Significant Accounting Policies

Monona County Sanitary Landfill Agency was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain landfill and recycling facilities in Monona County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of two representatives from the member cities, two representatives from Monona County, and one representative chosen by a majority of the designated representatives. The member cities are: Blencoe, Castana, Hornick, Mapleton, Moorhead, Onawa, Rodney, Soldier, Smithland, Turin, Ute and Whiting.

A. Reporting Entity

For financial reporting purposes, Monona County Sanitary Landfill Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisitions, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (1) Summary of Significant Accounting Policies – Continued

C. Basis of Accounting

Monona County Sanitary Landfill Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Cash Basis Fund Balance

Funds set aside for payment of closure and postclosure care are classified as restricted.

NOTE (2) Cash and Investments

The Agency's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Cash, which consists of cash and certificates of deposit, totaled \$793,651 at June 30, 2020.

The Agency has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk

The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (3) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (3) Pension Plan - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate by determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll for a total rate of 15.73%.

The Agency's contributions to IPERS for the year ended June 30, 2020 totaled \$15,069.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Agency had a liability of \$143,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Agency's proportion was 0.0024813%, which was a decrease of 0.000143% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Agency pension expense, deferred outflows of resources and deferred inflows of resources totaled \$26,430, \$22,580 and \$28,149 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (3) Pension Plan - Continued

Actuarial Assumptions - Continued

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (3) Pension Plan – Continued

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Continued

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$ 255,130	\$ 143,681	\$ 50,198

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE (4) Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Monona County Sanitary Landfill Agency have estimated to be \$366,600 for postclosure as of June 30, 2020. The landfill closed November, 2014.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (4) Closure and Postclosure Care Costs – Continued

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2020, assets of \$478,176 are restricted for postclosure purposes. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), if the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in-period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in-period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE (5) Transfer Station Closure Care

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit transfer station owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Agency as of June 30, 2020 have been estimated at \$8,427. \$117,418 has been restricted and is fully funded at June 30, 2020.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2020

NOTE (6) Risk Management

The Monona County Sanitary Landfill Agency is exposed to various risks of loss related to torts; theft; damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE (7) Solid Waste Hauling Contract

The Agency entered into a contract on September 25, 2017 effective July 1, 2017 for hauling solid waste. Under this contract the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site at Jackson, Nebraska. During the year ended June 30, 2020 the contractor was paid \$390,890. The Agency is obligated to fulfill the terms of this contract through the expiration date of this contract July 1, 2024.

The fees for this service are based on tons hauled with the rate increasing by 2% each year of the contract. Due to the complexity of the contract pricing, future minimum payments cannot be reasonably determined.

NOTE (8) Concentration of Risk

Contributions recognized from Monona County and the City of Onawa represent 17.45% and 17.52%, respectively, of total operating receipts as of June 30, 2020.

NOTE (9) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximately liability for earned vacation at June 30, 2020 was \$2,640. This liability has been computed based on rates of pay in effect at June 30, 2020.

NOTE (10) Related Party Transactions

The Agency had business transactions between the Agency and an Agency official totaling \$830 during the year ended June 30, 2020.

Other Information

Monona County Sanitary Landfill Agency
Schedule of the Agency's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For The Last Six Years*
(In Thousands)
Other Information

	2020	2019	2018	2017	2016	2015
Agency's proportion of the net pension liability	0.002481%	0.002624%	0.002209%	0.002361%	0.002138%	0.002004%
Agency's proportionate share of the net pension liability	\$ 144	166	147	149	106	79
Agency's covered payroll	\$ 189	197	165	169	146	131
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	76.19%	84.26%	89.09%	88.17%	72.60%	60.31%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report

Monona County Sanitary Landfill Agency
Schedule of Agency Contributions
Iowa Public Employees' Retirement System
For The Last Ten Years
(In Thousands)
Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 15	18	18	15	15	13	12	17	17	15
Contributions in relation to the statutorily required contribution	15	18	18	15	15	13	12	17	17	15
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Agency's covered payroll	\$ 160	189	197	165	169	146	131	191	215	220
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditors' report

Monona County Sanitary Landfill Agency
Notes to Other Information – Pension Liability
Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an actuarial experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate of interest from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of a Financial Statement
Performed in Accordance with *Governmental Auditing Standards***

Monona County Sanitary Landfill Agency



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 18, 2020

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of a Financial Statement
Performed in Accordance with *Governmental Auditing Standards*

To the Members of the
Monona County Sanitary Landfill Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statement, and have issued our report thereon dated November 18, 2020. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Monona County Sanitary Landfill Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Monona County Sanitary Landfill Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Monona County Sanitary Landfill Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Monona County Sanitary Landfill Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-20 through I-B-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-20 to be a significant deficiency.

Continued...

Monona County Sanitary Landfill Agency
Report on Internal Control and on Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monona County Sanitary Landfill Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Monona County Sanitary Landfill Agency's Responses to Findings

Monona County Sanitary Landfill Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Monona County Landfill Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monona County Sanitary Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



SCHROER & ASSOCIATES, P.C.
Council Bluffs, IA

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2020

Part I: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency's financial statements.

Condition – Generally, one individual in the Agency has control over receipts, including collecting and recording deposits for which no compensating control exists.

Generally, one individual in the Agency has control over all bookkeeping functions, including writing checks, signing checks, and reconciling for which no compensating controls exists.

Cause – The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Agency should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff or designate a member of the Board to provide additional control through review of receipts collected and deposited. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and that date of the review. Authorization and reconciling duties should be segregated as much as possible.

Response – All receipts from the Landfill are recorded on numbered tickets. The Agency will analyze other procedures and personnel to determine the feasibility of additional control. The Board will review the claims list in detail.

Conclusion – Response accepted.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2020

Part I: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

I-B-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Agency's financial statements.

Condition – A material amount of CD balances were not reconciled, and activity for cashing out and purchasing CDs were posted to expense and revenue accounts rather than the asset accounts.

Cause – The Agency had personnel turnover causing adjustments to be posted incorrectly. Management does not review reports generated by the accounting software on a regular basis to ensure accuracy of records.

Effect – Lack of policies and procedures resulted in Agency employees not detecting the errors in the normal course of performing their assigned functions and a material amount of adjusting entries had to be made to beginning balances.

Recommendation – The Agency should implement procedures to ensure CD reconciliations are prepared and reviewed, and financial statements are generated by the accounting software and are accurate.

Response – We will utilize the software for reports and reconciling all accounts.

Conclusion – Response accepted.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2020

Part I: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

I-C-20 Reconciliation of Billings, Collections and Deposits

Criteria – An effective internal control system provides for internal control related to reconciling billings and collections and comparing utility collections to deposits to ensure proper recording of receipts.

Condition – Billings and collections were not reconciled throughout the year and collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to reconcile billings, collections and deposits.

Effect – This condition could result in unrecorded or misstated receipts.

Recommendation – Procedures should be established to reconcile billings, collections and deposits. The Agency Board Members or a Board-designated independent person should review the reconciliations. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-B-20 Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- II-C-20 Business Transactions – Business transactions between the Agency and Agency officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bryce McDonald, Board Member Owner of McDonald Construction	Office Repairs	\$ 830

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Agency Board Member do not appear to represent a conflict of interest since the payments were not more than \$6,000.

- II-D-20 Restricted Donor Activity – No transactions were noted between the Agency, Agency officials, Commission employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-E-20 Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- II-F-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- II-G-20 Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- II-H-20 Unclaimed Property – The Agency had checks outstanding older than two years on the bank reconciliation.

Recommendation – The Agency should report unclaimed property per Chapter 556.1(12) of the Code of Iowa to the State Treasurer before November 1.

Response – We will submit unclaimed property to the State Treasurer.

Conclusion – Response accepted

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-I-20 Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	<u>Transfer Station</u> <u>Closure</u>	<u>C & D Landfill</u> <u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 8,427	366,600
Less: Balance of funds held in local dedicated fund at June 30, 2019	<u>115,707</u>	<u>415,627</u>
	(107,280)	(49,027)
Divided by the number of years remaining in the pay-in-period	÷ 1	1
Required payment into local dedicated fund at June 30, 2020	(107,280)	(49,027)
Balance of funds held in the local dedicated fund at June 30, 2019	<u>115,707</u>	<u>415,627</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2020	\$ <u>8,427</u>	<u>366,600</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2020	\$ <u>117,418</u>	<u>478,176</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The accounts are fully funded at June 30, 2020. The transfer station closure account has excess funding of \$108,991, and the C & D Landfill postclosure account has excess funding of \$111,576 at June 30, 2020.